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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 08943

E.O. 12356:DECL:OADR
TAGS: PREL, PARM, SCUL, CH, SA, IR, KN
SUBJECT: CODEL MONTGOMERY'S MEETING WITH VICE FORMIN ZHU: PRC MISSILE SALES TO SAUDI ARABIA, ETC.

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: VICE FOREIGN MINISTER ZHU QIZHEN COMMENTED ON CHINA'S DOMESTIC REFORMS, OVERSEAS STUDENT POLICY, ARMS EXPORT POLICY AND KOREA DURING A CORDIAL MEETING WITH CODEL MONTGOMERY ON APRIL 5. IN RESPONSE TO REPRESENTATIVE DICKENSON'S REMARKS SUPPORTING CHINA'S MISSILE SALES TO SAUDI ARABIA, ZHU STRESSED THAT CHINA'S ARMS SALES WERE CONDUCTED IN A PRUDENT AND RESPONSIBLE MANNER AND THAT CHINA HAD NEVER SOLD NUCLEAR WEAPONS TO

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ANY COUNTRY. ZHU ALSO STATED THAT SAUDI ARABIA HAD

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[redacted] IN RESPONSE TO A QUESTION ABOUT KOREA, ZHU STATED CHINA'S POLICY OBJECTIVES ALONG FAMILIAR LINES AND CALLED ON THE U.S. TO MAKE CONTACTS WITH NORTH KOREA WHICH WOULD CONTRIBUTE TO STABILITY ON THE PENINSULA. END SUMMARY.

3. CODEL MONTGOMERY, ACCOMPANIED BY AMBASSADOR LORD, MET WITH VICE FOREIGN MINISTER ZHU QIZHEN ON APRIL 5. THE CODEL, CONSISTING OF CONGRESSMEN G. V. MONTGOMERY, WILLIAM DICKENSON, ROBERT BADHAM, BOB MCEWEN AND BEN BLAZ OF THE HOUSE ARMED SERVICES COMMITTEE, EXPRESSED PLEASURE AT THE OPPORTUNITY TO EXCHANGE VIEWS WITH THE VICE MINISTER, WHO SAID HE WAS HAPPY TO ANSWER THE CODEL'S QUESTIONS.

4. FOLLOWING AN INITIAL EXCHANGE OF PLEASANTRIES, DELEGATE BLAZ NOTED THE OUTSTANDING ACADEMIC PERFORMANCE OF STUDENTS OF ASIAN ANCESTRY IN THE U.S. AND ASKED WHY CHINA HAD NOT ACHIEVED MORE PROGRESS IN SOLVING ITS SERIOUS ECONOMIC PROBLEMS. VICE MINISTER ZHU RESPONDED BY NOTING THE COURSE OF CHINA'S MODERN HISTORY FROM THE OPIUM WARS TO THE CULTURAL REVOLUTION. THE THIRD PARTY PLENUM IN DECEMBER 1978 WAS A TURNING POINT WHEN

CHINA'S LEADERS DECIDED TO CARRY OUT DOMESTIC REFORM AND OPENING TO THE OUTSIDE WORLD. SOME SUCCESS HAD BEEN ACHIEVED IN THE PAST TEN YEARS, AND CHINA WOULD CONTINUE TO FOLLOW THE PATH OF REFORM AND OPENING TO THE OUTSIDE WORLD. THIS POLICY WAS INTENDED TO BRING INTO FULL PLAY THE TALENTS OF THE CHINESE PEOPLE WHILE ALSO DRAWING FROM THE EXPERIENCE OF FOREIGN COUNTRIES.

5. IN A FOLLOW-UP QUESTION, REPRESENTATIVE MCEWEN ASKED ABOUT IMPROVEMENTS IN THE STANDARD OF LIVING SINCE

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1978 AND THE PROSPECTS FOR "MARKET-ORIENTED" REFORMS IN CHINA. ZHU RESPONDED THAT THE PACE OF DEVELOPMENT HAD BEEN EVEN QUICKER THAN ANTICIPATED. DURING THE PERIOD OF THE PAST FIVE YEAR PLAN, CHINA'S ECONOMIC GROWTH RATE HAD EXCEEDED SEVEN PERCENT.. IT WAS QUITE POSSIBLE THAT THE GOAL OF QUADRUPLING CHINA'S GNP BY THE BY THE YEAR 2000 WOULD BE ACHIEVED AHEAD OF SCHEDULE. IN THE PROCESS OF BUILDING "SOCIALISM WITH CHINESE CHARACTERISTICS", THE PUBLIC SECTOR WOULD STILL PLAY A DOMINANT ROLE. HOWEVER, CHINA ALSO ATTACHED GREAT IMPORTANCE TO MARKET MECHANISMS AND THE LAW OF VALUE, AS INDICATED IN THE RECENT YEARS OF ECONOMIC RESTRUCTURING.

6. REPRESENTATIVE MCEWEN NOTED THE DEEP AFFECTION AND FRIENDSHIP BETWEEN THE CHINESE AND AMERICAN PEOPLES. HE EXPRESSED CONCERN ABOUT RUMORS THAT THE CHINESE GOVERNMENT INTENDED TO LIMIT THE NUMBERS OF CHINESE STUDENTS GOING TO THE U.S. IN RESPONSE, ZHU SAID THAT THERE WERE OVER 20,000 CHINESE STUDENTS IN THE U.S. CHINA WOULD CONTINUE TO SEND STUDENTS TO THE U.S. IN FIELDS OF USE TO CHINA. HOWEVER, CHINA'S PLANS FOR

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SENDING STUDENTS OVERSEAS WOULD HAVE TO BE ADJUSTED IN ACCORDANCE WITH ECONOMIC DEVELOPMENT NEEDS. CHINA ALSO HOPED THAT THESE STUDENTS WOULD RETURN HOME AS SOON AS POSSIBLE AFTER COMPLETING THEIR STUDIES ABROAD. ZHU SAID THAT THERE WERE SOME "MISUNDERSTANDINGS" IN THE U.S. ABOUT CHINA'S STUDENT POLICY.

7. REPRESENTATIVE DICKINSON COMMENTED ON THE IMPRESSIVE PROGRESS HE HAD OBSERVED SINCE HIS EARLIER VISITS TO CHINA DURING THE "GANG OF FOUR" PERIOD. THE SKYLINE HAD BEEN TRANSFORMED AND BEIJING NOW HAD A HOLIDAY INN

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AND KENTUCKY FRIED CHICKEN. REP. DICKINSON CONTINUED BY NOTING THAT CHINA'S ARMS SALES HAD EMERGED AS A

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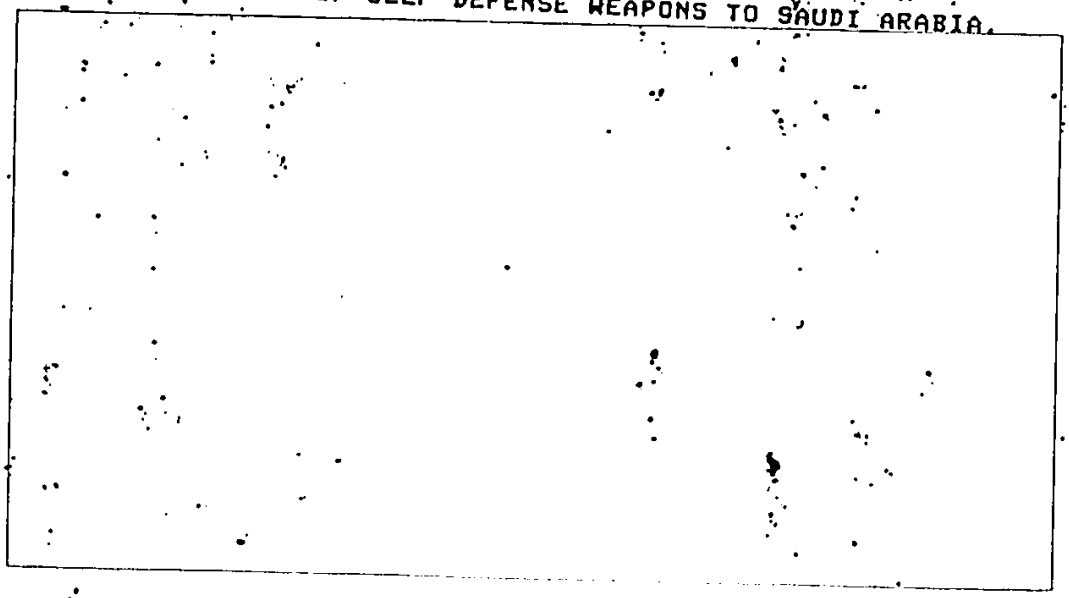
STRONG POINT OF DISAGREEMENT BETWEEN OUR TWO COUNTRIES. SAUDI ARABIA HAD TRIED TO BUY F-15 AIRCRAFT AND PERSHING MISSILES FROM THE U.S. BUT WE HAD REFUSED. THE SAUDIS HAD TURNED TO CHINA IN RESPONSE. REP. DICKINSON COMMENTED THAT HE SAW "NOTHING WRONG" IN CHINA'S MISSILE SALES TO SAUDI ARABIA AND IN FACT SUPPORTED SUCH SALES. U.S. POLICY IN THIS REGARD WAS "WRONG". HOWEVER, HE HAD A PROBLEM WITH CHINA'S SALES OF SILKWORM MISSILES TO IRAN.

8. VICE MINISTER ZHU RESPONDED BY EXPRESSING APPRECIATION FOR THE CONGRESSMAN'S UNDERSTANDING OF SOME OF CHINA'S POLICIES. ZHU SAID THAT CHINA, AT THE REQUEST OF THE SAUDI ARABIAN GOVERNMENT, HAD SOLD SOME CONVENTIONAL, NON-NUCLEAR, TACTICAL SURFACE-TO-SURFACE MISSILES. CHINA'S ARMS SALES WERE CONDUCTED WITH GREAT PRUDENCE AND CAREFUL CONSIDERATION IN A RESPONSIBLE MANNER. ZHU STRESSED THAT CHINA HAD NEVER SOLD NUCLEAR WEAPONS TO ANY COUNTRY. SECONDLY, SAUDI ARABIA HAD MADE A COMMITMENT THAT IT WOULD NOT TRANSFER THE MISSILES TO ANOTHER PARTY AND THAT THE MISSILES WOULD BE USED ENTIRELY FOR SELF-DEFENSE ON A "NO-FIRST-USE" BASIS. SAUDI ARABIA WOULD NOT SEEK TO IMPORT NUCLEAR WARHEADS FOR THE MISSILES. IN THE THIRD PLACE, SAUDI ARABIA WAS A FORCE FOR PEACE AND STABILITY IN THE MIDDLE EAST. HELPING SAUDI ARABIA TO IMPROVE ITS DEFENSE CAPABILITIES WAS CONDUCIVE TO PEACE AND STABILITY IN THE REGION. BECAUSE OF THESE CONSIDERATIONS, CHINA HAD SOLD A LIMITED NUMBER OF SELF-DEFENSE WEAPONS TO SAUDI ARABIA.



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11. REPRESENTATIVE BADHAM RAISED THE QUESTION OF THE CHINESE GOVERNMENT'S CRITERIA FOR SELLING WEAPONS TO OTHER COUNTRIES. [redacted] B1

12. IN RESPONSE TO REPRESENTATIVE MONTGOMERY'S QUESTION ABOUT THE KOREAN SITUATION, ZHU SAID THAT CHINA'S POLICY

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WAS FORMULATED WITH THE OBJECTIVE OF MAINTAINING STABILITY ON THE KOREAN PENINSULA AND FACILITATING THE EFFORTS OF NORTH AND SOUTH KOREA TO ACHIEVE PEACEFUL REUNIFICATION WITHOUT OUTSIDE INTERFERENCE. CHINA HOPED TO SEE THE CREATION OF AN ATMOSPHERE CONDUCIVE TO NORTH-SOUTH DIALOGUE AND HOPED THAT THE U.S. WOULD MAKE CONTACTS WITH THE NORTH WHICH WOULD CONTRIBUTE TO STABILITY ON THE KOREAN PENINSULA. CHINA ALSO HOPED THAT NORTH AND SOUTH KOREA AND THE U.S. WOULD HOLD TRIPARTITE TALKS.

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13. REPRESENTATIVE MONTGOMERY CLOSED THE HOUR-LONG MEETING BY PRESENTING A LETTER FROM THE GOVERNOR OF

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MISSISSIPPI CONCERNING A FOREST PRODUCTS TRADE MISSION. HE ALSO PRESENTED THE VICE MINISTER WITH A CONGRESSIONAL PLATE AS A GIFT FROM THE DELEGATION.

14. COMMENT: VICE MINISTER ZHU'S EXPLANATION OF CHINA'S MISSILE SALE TO SAUDI ARABIA WAS CONSISTENT WITH FOREIGN MINISTER WU'S PUBLIC STATEMENT ON THE SUBJECT AT THE PRESS CONFERENCE ON APRIL 6, AS REPORTED

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15. THE CODEL DID NOT HAVE AN OPPORTUNITY TO CLEAR THIS MESSAGE BEFORE DEPARTING BEIJING ON APRIL 6. LORD

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